

Message Text

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PAGE 01 LISBON 00155 091719Z

47

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03 NSAE-00

NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SAM-01 IO-11

SAJ-01 OMB-01 OPIC-03 TRSE-00 DOTE-00 AGR-05 EB-07

/088 W

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P R 091310Z JAN 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 5580

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMCONSUL OPORTO

AMEMBASSY PARIS

AMCONSUL PONTA DELGADA

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 0155

E.O. 11652: GDS

TAGS: PINT, PO

SUBJECT: GOVERNMENT RESHUFFLE: TO THE VICTORS BELONG THE SQUABBLES

REF: (A) LISBON 0069 (DTG 061556Z JAN 76), (B) LISBON 0149
(DTG 090945Z JAN 76)

SUMMARY: NEGOTIATIONS ON CABINET REORGANIZATION ARE CONTINUING
WITH TUGGING AND HAULING BETWEEN SOCIALISTS AND POPULAR
DEMOCRATS. ALL CABINET-LEVEL POSITIONS WHICH EXISTED
PRIOR TO NOV 25 HAVE ALREADY BEEN FILLED. KEY AGREEMENT WAS
REACHED ON AGRARIAN REFORM POLICY JAN 5. ONLY ISSUES REMAINING
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PAGE 02 LISBON 00155 091719Z

ARE RELATIVELY MINOR SUB-CABINET POSTS. MEANWHILE, GOVERNMENT

IS OPERATING WITH ACTIVE PARTICIPATION BY ALL PARTIES.
THREATS TO RESIGN AND HARSH WORDS SHOULD BE VIEWED AS TACTICAL.
WHILE SOCIALISTS AND POPULAR DEMOCRATS HAVE INTEREST IN OBTAINING
MAXIMUM ADVANTAGE FROM GOVERNMENT NEGOTIATIONS, NEITHER WILL ALLOW
THESE NEGOTIATIONS TO BREAK DOWN OR TO CAUSE RUPTURE OF AZEVEDO
GOVERNMENT. END SUMMARY.

1. NEGOTIATIONS: NEGOTIATIONS ON REORGANIZATION OF AZEVEDO
CABINET ARE CONTINUING IN WHAT HAS EMERGED AS A TUGGING MATCH
BETWEEN SOCIALISTS (PS) AND POPULAR DEMOCRATS (PPD).
NEED TO REORGANIZE CABINET WAS CAUSED BY RESIGNATION OF MINISTER
OF INDUSTRY AND HIS SECRETARIES PRIOR TO NOV 25 AND BY PPD
SPLIT IN DECEMBER. AGREEMENT HAS ALREADY BEEN REACHED ON MOST
MAJOR POINTS OF CABINET REORGANIZATION. GOVERNMENT CONTINUES
TO OPERATE AT NEARLY FULL EFFICIENCY, AS INDICATED BY GOP'S EXTENSIVE
AND DIFFICULT ECONOMIC AUSTERITY PROGRAM. UPON CONCLUSION OF JAN 7
DISCUSSIONS OVER NEW GOVERNMENT JORGE CAMPINOS (PS) AND PPD
LEADER SA CARNEIRO EXPRESSED CONFIDENCE THAT SOLUTION WOULD BE
FOUND TO REMAINING DIFFICULTIES. PM AZEVEDO HAS LABELLED DIF-
FICULTIES
TECHNICAL.

2. AGREEMENTS REACHED: AGREEMENT HAS ALREADY BEEN REACHED
ON ALL CABINET-LEVEL POSITIONS WHICH EXISTED PRIOR TO NOV 25. AS
REPORTED PREVIOUSLY, NEW MINISTERS AND SECRETARIES OF STATE NAMED ARE:

-- MINISTER OF INDUSTRY: WALTER ROSA (PS)
-- MINISTER OF SOCIAL AFFAIRS: RUI MACHETE (PPD)
-- MINISTER OF TRANSPORTATION: VOL AUGUSTO FERNANDES
-- SECRETARY OF STATE FOR TREASURY: ARTUR SANTOS SILVA
(A PPD DISSIDENT).

IN ADDITION, THERE IS AGREEMENT THAT PPD WILL FILL SLOTS OF
SECRETARIES OF STATE FOR HEALTH AND FOR RETURNEES VACATED BY
PPD DISSIDENTS. IMPORTANT AGREEMENT WAS REACHED JAN 5 ON
PRINCIPLES OF AGRARIAN REFORM. JAN 5 AGREEMENT ALSO ESTABLISHED
GENERAL LINES FOR FILLING SECRETARIAT OF STATE FOR AGRARIAN
RESTRUCTURING WITH COMMUNIST OTHER THAN PRESENT SECRETARY BICA.
IT CREATED NEW SECRETARIAT OF STATE FOR FINANCE TO
BE FILLED BY PPD AND PLACED TOURISM SECRETARIAT DIRECTLY
UNDER PS MINISTER OF FOREIGN COMMERCE CAMPINOS.
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PAGE 03 LISBON 00155 091719Z

3. ISSUES REMAINING: PRINCIPAL DISAGREEMENT REMAINING IS DEFINITION
OF RESPONSIBILITIES OF SECRETARY OF STATE FOR TREASURY SANTOS SILVA
AND -YET-TO-BE-CREATED SECRETARY OF STATE FOR FINANCES. PPD HAS IN-
SISTED
THAT PPD SECRETARY OF FINANCES BE GIVEN SIGNIFICANT RESPON-
SIBILITIES. PS MINISTER OF FINANCE HAS RESISTED. IN ADDITION
TO THOSE SECRETARIATS FOR WHICH PARTIES MUST SUPPLY

NAMES (PARA 2 ABOVE), DECISIONS ARE PENDING ON SECRETARIATS FOR LIGHT AND HEAVY INDUSTRY. COMMUNIST PARTY (PCP) IS RESISTING CREATION OF SEPARATE HOUSING MINISTRY. PENDING, BUT PROBABLY NOT TO BE ADDRESSED FOR SOME TIME, IS TO-BE-CREATED MINISTRY OF CULTURE.

4. COMMENT: IN THE WAKE OF THE COMMUNIST SETBACK OF NOVEMBER 25, THE SOCIALISTS AND POPULAR DEMOCRATS ARE REVELING IN THE UNACCUSTOMED LUXURY OF POLITICS AS USUAL. PS IS SATISFIED WITH GOVERNMENT IT ALREADY DOMINATES, AND WHICH IS FULLY OPERATIONAL. SOCIALISTS ARE ALSO ENJOYING THE OPPORTUNITY TO EMBARRASS PPD IN WAKE OF PPD SPLIT. PPD IS FAR MORE ANXIOUS TO FILL SLOTS VACATED BY THEIR DISSIDENTS. ANOTHER POINT OF FRICTION HAS BEEN PPD'S TOUGHER APPROACH ON LIMITING PCP ROLE IN GOVERNMENT.

5. IN TYPICAL PORTUGUESE FASHION, THIS RESHUFFLE HAS DRAGGED ON FOR OVER A MONTH. DESPITE EXCHANGES OF HARSH WORDS AND THREATS, ALL IMPORTANT ACTORS FAVOR CONTINUATION OF AZEVEDO GOVERNMENT AND ARE COMMITTED TO WORKING OUT THE SEVERAL MINOR BUT STICKY PROBLEMS REMAINING. PS STRONGLY OPPOSES ANY CHANGE IN GOVERNMENT WHICH WOULD EXPOSE ITS RIGHT FLANK AT TIME OF RIGHTWARD DRIFT IN COUNTRY. PPD WISHES TO REMAIN "RESPONSIBLE" MEMBER OF GOVERNMENT WHILE AWAITING MORE FAVORABLE ELECTION. PPD THREATS TO RESIGN SHOULD BE VIEWED AS TACTICAL. PCP HAS COMMITTED ITSELF TO GOVERNMENT PARTICIPATION TO CONSOLIDATE "REVOLUTIONARY GAINS" AND TO PREVENT FURTHER SWING TO THE RIGHT. WHILE MILITARY HAVE OCCASIONALLY EXPRESSED IMPATIENCE WITH PARTY "SQUABBLING," THESE DIFFICULTIES ARE NOT HAMPERING PERFORMANCE OF GOVERNMENT. AZEVEDO TOLD AMBASSADOR EVENING OF JAN 8 THAT REMAINING DIFFERENCES IN GOVERNMENTAL REORGANIZATION WERE ONLY MINOR JURISDICTIONAL ISSUES (REF B). HE EXPRESSED SATISFACTION
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PAGE 04 LISBON 00155 091719Z

OVER RESOLUTION OF PRINCIPAL ISSUES.

6. WHILE PS AND PPD WISH TO OBTAIN MAXIMUM ADVANTAGE, NEITHER IS LIKELY TO ALLOW NEGOTIATIONS TO BREAK DOWN OR TO CAUSE A RUPTURE IN AZEVEDO GOVERNMENT.
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